

PROVINCE OF SASKATCHEWAN



10-11

PLAN FOR 2010-11

SASKATCHEWAN  
LIQUOR & GAMING  
AUTHORITY



# PLAN FOR 2010-11

## Statement from the Minister



On behalf of the Saskatchewan Liquor and Gaming Authority (SLGA) I present to you SLGA's Plan for the upcoming year. The Plan identifies how SLGA aligns with Government's direction for 2010-11 and reflects SLGA's primary areas of focus.

Commitments contained in SLGA's 2010-11 Plan represent a balance with respect to social and fiscal responsibility. SLGA has placed a significant focus on improving efficiencies across the organization with a view to improving both customer service and financial performance. While SLGA continues to examine opportunities to increase flexibility in the regulatory framework in support of a stronger business climate, these initiatives are balanced with a strong emphasis on responsible use and harm reduction initiatives.

I accept responsibility for furthering Government's commitments while ensuring SLGA is managed with integrity and professionalism, with commitment to Government's corporate values and principles. Examining programs and services to ensure the most effective delivery possible is a key priority for all ministries and Treasury Board Crowns and an activity that will be reported on as results are achieved.

I will report on the progress made toward this Plan in SLGA's 2010-11 Annual Report.

*The Honourable Christine Tell*

*Minister Responsible for Saskatchewan Liquor and Gaming Authority*

## Response to Government Direction

Ministry Plans for 2010-11 align with Government's **vision for a secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing opportunity for a high quality of life for all.** Government's vision, goals, and priorities for the upcoming year are described in the *Government Direction for 2010-11: Balanced. Forward-Looking. Responsible.*

Government's Plan and Budget for 2010-11 are about finding balance: responsibly managing expenditures, ensuring a solid revenue base, minimizing debt levels, and ensuring everyone can benefit from the province's economic prosperity.

To maintain the province's economic momentum, steps need to be taken to slow the growth in government expenditures. Direction has been provided to ministries to find ways to improve the effectiveness and efficiency of government's programs and services, and to ensure the best use of public funds. Efforts will focus on responsible financial management and innovative solutions to improve services to the public while reducing government's overall footprint.

Similar to the ministry and agency plans presented last year, the Plan for 2010-11 communicates a high-level framework for SLGA's key activities and identifies how SLGA works to support Government's goals and priorities.

## Mission Statement

Serving Saskatchewan people with excellence while promoting economic growth through the socially responsible distribution, management, operation, and regulation of liquor and gaming products.

# Strategies and Actions

## Government Goal – Economic Growth

Sustain **Economic Growth** for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.

### Strategy

### Key 2010-11 Actions

**Support economic growth in liquor and gaming industries and associated sectors**

- Based on findings stemming from the 2009-10 Regina and Saskatoon retail store location study, initiate business planning to respond to customer needs based on future demographics in relation to urban growth areas.
- Continue to administer the Video Lottery Terminal (VLT) program in support of the hospitality industry across Saskatchewan.
- Continue to support the charitable gaming industry through the charitable gaming grant program that issues grant payments equal to 25 per cent of the net revenue generated by an organization through licensed charitable gaming activities to a maximum of \$100,000 per year per organization.

**Modernize SLGA's policy framework to allow for greater flexibility and encourage increased involvement by stakeholders in the economy**

- Following continued review of the regulatory framework in 2009-10, SLGA will bring forward further changes that will improve the business environment for our stakeholders:
  - ~ complete a review of rural franchise criteria and finalize revisions to franchise contract and policy;
  - ~ expand privileges under "limited franchises" to allow microbreweries to direct deliver to commercial permittees;
  - ~ implement a revised cottage winery policy;
  - ~ begin development of a micro distillery policy; and,
  - ~ explore options to allow brew pubs to direct deliver their products to other commercial permittees.

## Government Goal – Security

**Secure** Saskatchewan as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.

### Strategy

**Strengthen the socially responsible sale and distribution of liquor and gaming products in an effort to reduce the adverse consequences of these activities**

**Promote environmental stewardship by implementing sustainable business practices**

### Key 2010-11 Actions

- Continue to participate on the Interprovincial Lottery Corporation Responsible Gambling sub-committee that has developed a workplan to review and research responsible gambling programs with a view to recommend evidence-based initiatives for implementation of consistent strategies across all Canadian gambling jurisdictions.
  - Continue to work on the development of responsible gambling initiatives in collaboration with members of the provincial interagency responsible gambling forum.
  - Implement changes to casino self-exclusion programs and improve the coordination of efforts across Saskatchewan Indian Gaming Authority (SIGA) and Saskatchewan Gaming Corporation (SGC) casinos.
  - Continue to monitor Canadian and international initiatives to promote and support informed decision making by VLT players.
  - Build on SLGA's partnership with Mothers Against Drunk Driving (MADD) Canada and Saskatchewan Government Insurance (SGI) to continue to deliver current and potentially new programs to promote awareness and prevention of drinking and driving.
  - Further the development of social marketing programs aimed at reducing alcohol related violence in northern Saskatchewan, designed in conjunction with the Ministries of Justice; Corrections, Public Safety and Policing; and Health.
  - Work with the Saskatchewan Hotels and Hospitality Association (SHHA), and the Canadian Restaurant and Foodservice Association (CRFA) to promote responsible use initiatives related to both gaming and beverage alcohol.
- 
- SLGA will explore/pilot videoconferencing for retail meetings to reduce travel time and travel costs.
  - Add environmental considerations to product listing criteria to give preference to lightweight bottles/packaging that will ultimately reduce emissions related to transportation.

## Government Goal – Promises

Keep Government's **Promises** and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

### Strategy

### Key 2010-11 Actions

**Support and strengthen the collaborative partnership between SLGA and First Nations**

- SLGA recognizes the importance of its relationship with First Nations and will continue to work with its partners in support of ventures that utilize their expertise in the gaming industry. In addition, SLGA will work collaboratively with:
  - ~ the Federation of Saskatchewan Indian Nations (FSIN) to continue to fulfill commitments under the Gaming Framework Agreement;
  - ~ SLGA to continue to fulfill commitments under the Casino Operating Agreement; and,
  - ~ the Indigenous Gaming Regulators (IGR) to continue to fulfill commitments under the IGR – SLGA Regulatory Agreement.

**Ensure continuous improvement in internal operational efficiency and productivity**

- Implement a management practice of assessment and continuous improvement to ensure a robust, objective, and multi-year assessment function.
  - ~ Based on the review of SLGA's distribution centre/supply chain infrastructure and processes, begin planning for changes aimed at streamlining services and enhancing customer service to stakeholders.
  - ~ Continue to review and monitor store operations and financial performance to ensure efficient delivery of service to the public and to ensure a positive return on investment is realized.
  - ~ Formally implement an ongoing process to review SLGA's business processes to identify opportunities to streamline operations and increase efficiencies.
- Ensure SLGA's information technology infrastructure is well positioned to meet future business needs from a technological perspective. In 2010-11 SLGA will focus on the replacement of the aging retail store Point of Sale (POS) system, meet payment card compliance standards, and accommodate new credit card technology.

**Provide responsive and high quality services to customers and stakeholders**

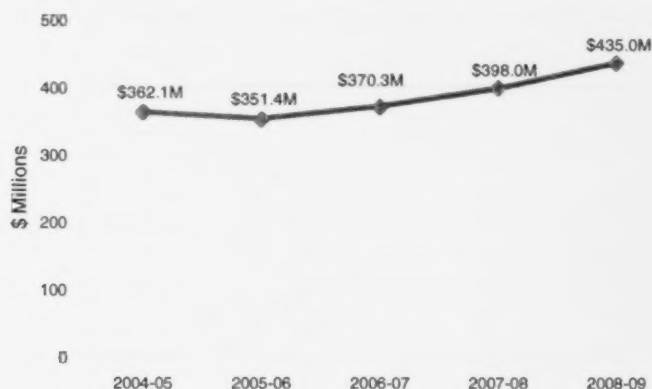
- SLGA will continue to revise and expand the content available on SaskLiquor.com to meet consumer demand.
- Deliver the SLGA retail liquor store customer satisfaction survey previously planned for 2009-10.
- Continue implementation of the corporate-wide Customer Service Training Program.

# Performance Measures

## Measure

## Baseline / Trend Line Information

### SLGA net income



### Measure Description

SLGA plays a very important role in funding provincial programs and services by transferring its net income annually to the General Revenue Fund (GRF). SLGA's net income reflects the total net revenue generated by the Province's liquor industry and the majority of the gaming industry after deducting operating expenses. This is a critical outcome for SLGA and it contributes significantly to meeting the Government's revenue needs for the funding of other key programs.

SLGA's net income measure reflects SLGA's core business activities and is directly aligned with Government's overarching goal of Economic Growth. This measure is also representative of the balance SLGA must achieve between revenue generation, stakeholder benefits, customer service, social responsibility, and operational efficiency.

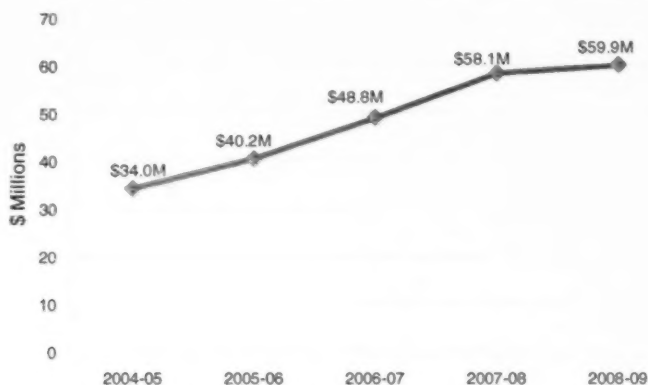
The recent trend displays positive growth in net income. Continued monitoring of financial performance as it relates to liquor and gaming activity is key to maintaining growth into the future.



## Measure

**Saskatchewan  
Indian Gaming  
Authority (SIGA) net  
income**

## Baseline / Trend Line Information



### Measure Description

This measure reflects the total net income generated by the SIGA casinos in the Province after deducting operating expenses. As required by section 207 of the *Criminal Code of Canada*, SLGA owns the slot machines located in SIGA's casinos. The revenue generated from the machines is distributed according to the revenue sharing formula in the 2002 Gaming Framework Agreement between the Province and the FSIN.

The GRF retains 25 per cent of SIGA's net profits (after defined payments) in support of broader provincial objectives. The remaining 75 per cent is distributed back to First Nations communities via the First Nations Trust (FNT) and Community Development Corporations (CDCs). The FNT supports economic development, social development, justice, health, education, culture, and other First Nations initiatives. The CDCs fund economic development, social development, justice, education, recreation, culture, health, and other related initiatives among First Nations and non-First Nations in and around the communities where the casinos are located.

SIGA's net income is linked to SLGA's strategies to support economic growth in liquor and gaming industries and associated sectors and support and strengthen the collaborative partnership between SLGA and First Nations.

SIGA's net income has increased steadily since 2004-05. The addition of the Dakota Dunes Casino in Saskatoon and the Living Sky Casino in Swift Current which encompassed the addition of 750 slot machines has been a positive impact on SIGA's net income over the last two years.



**Measure****Baseline / Trend Line Information****VLT site commission**

Fiscal Year	VLT Site Commission
2008-09	\$36.6M
2007-08	\$39.9M
2006-07	\$36.6M
2005-06	\$36.4M
2004-05	\$40.1M

**Measure Description**

This measure illustrates how private businesses benefit from VLT activity in the province. SLGA supports local businesses through a 15 per cent VLT site commission to liquor permitted establishments that host VLTs. In 2008-09, these site commissions helped to support approximately 650 site contractors in 313 communities in Saskatchewan.

VLT site commissions are linked to SLGA's strategies under the overarching Government goal of Economic Growth. The VLT program operates within a provincial cap of 4,000 VLTs balancing both social and fiscal responsibilities.

The VLT site commission revenue for the year ending March 31, 2009 was \$36.6 million compared to \$39.9 million in 2007-08. The 2008-09 decrease in the VLT site commission is primarily due to a one-time cost incurred in 2007-08 associated with the negotiated closing of the Emerald Casino in Saskatoon as well as the decline in VLT activity that occurred in 2008-09.

**Total gross franchise and commercial permittee beverage alcohol purchases**

Fiscal Year	Total Franchise Purchases	Total Commercial Permittee Purchases
2008-09	\$45.0M	\$210.7M
2007-08	\$41.4M	\$200.7M
2006-07	\$37.1M	\$186.8M
2005-06	\$35.2M	\$175.2M
2004-05	\$34.4M	\$170.5M

**Measure Description**

This measure reflects the beverage alcohol purchases made by SLGA's partners in the private sector, illustrating the extent to which the Saskatchewan beverage alcohol market is served by a combined public/private distribution model. The franchises and commercial permittees in turn generate additional revenue and economic activity through the re-sale of beverage alcohol in support of other core business areas such as accommodation, food services, retail sales, etc.

The total gross franchise and commercial permittee beverage alcohol purchases measure is linked to the overarching Government goal of Economic Growth. SLGA views franchisees and commercial permittees as partners in the beverage alcohol market and as such SLGA provides policy, operational, and financial support where and when possible to ensure positive growth occurs.

Purchases of beverage alcohol by both franchisees and commercial permittees have increased in each of the past five years. This increase has been driven by a combination of industry price increases, trading up by the consumer to higher priced products and an increase in the volume purchased and ultimately sold by SLGA's partners. Purchases by specialty wine store franchises will be added as a measure in the 2009-10 Annual Report.

## Measure

## Baseline / Trend Line Information

### Marginal return on expenses (MRE)

Fiscal Year	Marginal Return on Expenses
2008-09	+2.23
2007-08	+0.49 <sup>1</sup>
2006-07	+1.61
2005-06	-0.94
2004-05	+1.24

<sup>1</sup> Restated in 2008-09 SLGA Annual Report

### Measure Description

This measure expresses an overall return on investment as an outcome. It expresses a ratio between the change in net income compared to the change in total operating expenses and reflects the principle that while operating expenses can increase; this growth often leads to an increase in net income. Any outcome greater than zero is a positive outcome.

The MRE measure is linked to the strategy to ensure continuous improvement in internal operational efficiency and productivity. A positive and increasing MRE is a good indication that SLGA is managing expenses in a fiscally responsible manner that is generating growth in net income.

SLGA has some influence over aspects of this measure, especially regarding operating expenses and policy development aimed at growing net income over time. In 2005-06, the MRE was negative following a decline in VLT revenue that coincided with the province-wide smoking ban. In all other years, the measure has been positive; indicating that increased expenses and business investment has translated into increased net income.

## Financial Summary

SLGA's 2010-11 financial plan supports the organization's key strategies that are designed to assist Government in achieving its goals and priorities. The main financial outcome for SLGA is its net income which consists primarily of the following components: provincial VLT revenues; SIGA net income; and, profits from the retail liquor sector.

SLGA's net income is transferred annually to the GRF in support of broader provincial objectives. In 2008-09, SLGA experienced a record financial year generating \$435 million in net income and is forecast to generate \$430.4 million in 2009-10. For 2010-11, SLGA is budgeting for a net income of \$445.6 million. VLT net income is budgeted at \$182.0 million and SIGA net income is forecast to reach \$68.0 million. Operational efficiencies and continued market growth combined with revisions to SLGA's beverage alcohol pricing structure are expected to net SLGA \$236.6 million from the retail liquor sector.

Overall, SLGA's capacity to continue to generate additional revenues is impacted by a variety of economic forces and public policy choices. Maintaining a balance between revenue generation and social responsibility is key to SLGA's success in supporting Government's achievement of its goals.

## For More Information

Please visit SLGA's website at [www.slga.gov.sk.ca](http://www.slga.gov.sk.ca) for more information on its key business areas or contact (306) 787-4213 or Toll Free 1-800-667-7565.

